CB RICHARD ELLIS | **MARKET VIEW**

M² - Big Box SK

Slovak Republic, Big Box – Q3 2008

"Total take-up for 2008 reached 264,896 sq m in Q3 2008""

"The biggest speculatively built industrial park outside of Bratislava, was completed in Nove Mesto by Prologis "

Q3 2008 AT A GLANCE

	Greater Bratislava Area	Pan Slovakia
STOCK	→	↑
TAKE-UP	→	→
VACANCY	↓	↑
RENT	→	→

CONTACT

Jörg Kreindl
+421 232 55 3302
joerg.kreindl@cbre.com

Peter Janosi
+ 421 232 55 3311
peter.janosi@cbre.com

Tomas Bona
+ 421 232 55 3309
tomas.bona@cbre.com

T +421 2 3255 3300

www.cbreindustrial.com

www.cbre.sk

DEVELOPER LED WAREHOUSING AND LOGISTICS MARKET IN SLOVAKIA

Total take-up for 2008 reached 264,896 sq m in Q3 2008. This means that take-up has now surpassed total take-up for the whole of 2007 (253,000 sqm) and has surpassed take-up in the same three quarters of last year by 37%.

In Q3 2008, we recorded total take up of 71,718 sq m in twelve deals. However, this was a 60% decrease on Q2 2008 – the higher take-up seen in Q2 2008 was also seen in Q2 2007. The increased number of smaller-sized deals brought the average deal size down in Q3 2008 to 5,977 sq m compared to 20,298 sq m in Q2 2008 or 7,591 sq m for 2007 as a whole. ProLogis is dominating the market, accounting for 54% of the total take-up in 2008 so far, followed by: Pinnacle (12%); J&T and IIG (9%); and HB Reavis (7%).

The total stock currently under construction is 248,805 sq m (a 10% increase y-o-y) – 61% of this is already pre-let. Of the space currently under construction, speculative buildings represent 97.2% of the space and built-to-suit projects 2.8%, showing a change in approach from a few years ago.

Despite an expanded pipeline, the take-up in Q3 2008 caused the vacancy rate to drop to ca. 4.75% for Slovakia as whole. This drop demonstrates the sensitivity of the overall vacancy rate in this smaller market.

As of the end of Q3 2008, ProLogis had completed their speculative building, ProLogis Park Nove Mesto, ca. 35,840 sq m. As a result of this completion, warehouse space under construction in Slovakia decreased to 248,000 sq m (10% q-o-q decrease), which still represents a considerable pipeline in comparison to Q4 2007, when there was 181,700 sq m under construction. The current lower vacancy rate and continued strong take-up suggest that a pipeline consisting of speculative projects could continue.

At the end of Q3 2008, the total modern warehouse space in Slovakia amounted to ca. 734,000 sq m. Approximately 84% of the total developer-led warehouse space is located in the Greater Bratislava Area, compared to 90% in Q2 2008. This decrease is mainly caused by the relatively lower costs outside of Bratislava. Headline rents remained at 3.65 € (sq m/month).

Q3 2008 INDICATORS	Total	Greater BA Area (BA)	Pan Slovakia
STOCK (sq m)	734,673	623,681	110, 992
SPACE UNDER CONSTRUCTION (sq m)	248,805	226,305	22,500
TAKE-UP (sq m)	71,718	68,718	3,000
VACANCY	4.75%	4.47%	6.31%
NET EFFECTIVE RENT (EUR/sqm/month)	3.10 – 4.50	3.10 – 4.50	3.50 - 4.50

SELECTED INDUSTRIAL TRANSACTIONS, Q3 2008

Tenant Name	Project Name	Submarket	sq m
DHL Logistics	ProLogis Park Sered	BA	20,518
Takko	Bratislava logistic Park – Phase II	BA	10,000
Confidential	Goodman Int Senec	BA	9,100
HBPO	Westpoint Lozorno C	BA	6,200
Martinrea	Sv. Jur Logistics Park	BA	6,000

Greater Bratislava Area (BA)
Pan Slovakia (SK)

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SUBMARKET 1 - GREATER BRATISLAVA AREA

At the end of Q3 2008, the amount of modern developer-led warehouse stock in Bratislava amounted to 623,681 sq m of warehouse/logistics space, which is primarily located in schemes along the D1 and D2 highways.

Over 226,000 sq m of new warehouse space is currently under construction in eight projects in the Greater Bratislava Area, five of which are located along the D1 highway. ProLogis Park Galanta (96,000 sq m) and Senec Logistics Centre developed by Goodman (45,000 sq m) are currently the largest developments on the D1. VGP is currently constructing a 12,500 sq m warehouse on a speculative basis in Malacky, on the D2.

In Q3, there were eleven warehouse lease transactions recorded, totaling 68,718 sq m. The increased number of smaller-sized deals resulted in an average transaction size of 6,247 sq m.

The vacancy rate in Q3 2008 fell considerably by 458 bps and currently stands at 4.47%. There is ca 28,000 sq m of available warehouse space in existing schemes in this area.

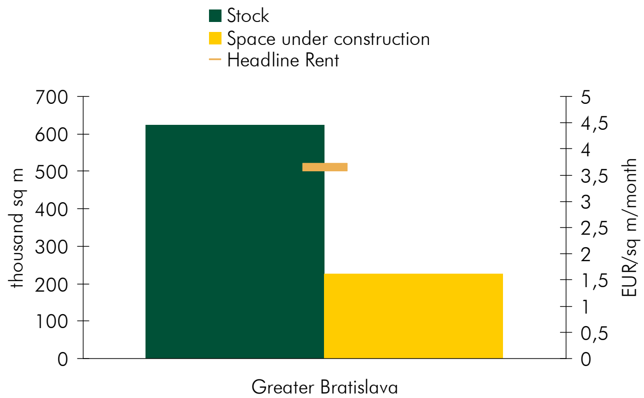
Prime industrial rents in the Greater Bratislava Area remained relatively stable and range between 3.10 – 4.50 EUR / sq m / month. However, due to strong competition in this area, developers are offering increasing incentives; therefore, net effective rents are, in some cases, considerably below this range. This is determined by the tenant, lease terms and size of the requirement.

SUBMARKET 2 - PAN SLOVAKIA

At the end of Q3 2008, the amount of modern developer-led warehouse stock amounted to 110,992 sq m of warehouse/logistics space. The biggest speculatively built industrial park was completed in Nove Mesto by ProLogis and consists of approximately 36,000 sq m modern warehouse space; it was fully let upon its completion. Another 8,000 sq m was completed in Zilina. This is a speculatively built industrial park constructed by Istrofinal.

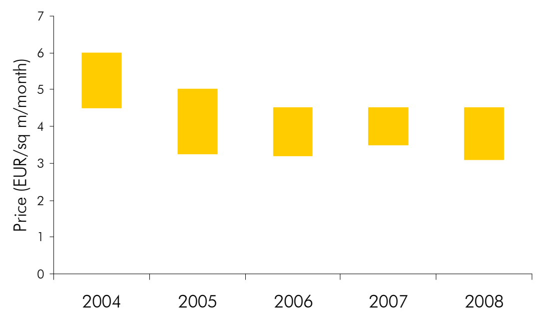
There is currently only one speculative project under construction outside of Bratislava. This is being developed by Immoeast in Nove Mesto and will provide 22,500 sq m of warehouse space. There are planned industrial hubs outside of Bratislava in Trencin, Martin, Presov, Zilina and near the airport in Kosice . However, construction has not yet started on any of these and it is not yet known how many of these developments will be started in the immediate future.

GREATER BRATISLAVA STOCK AND SPACE UNDER CONSTRUCTION IN Q3 2008



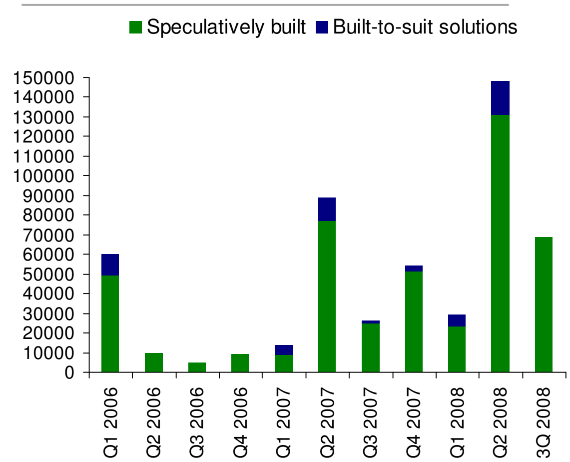
Source: CB Richard Ellis

RENTAL LEVELS IN MODERN WAREHOUSES



Source: CB Richard Ellis

TAKE-UP IN GREATER BRATISLAVA AREA BY THE TYPE OF DEVELOPMENT



Source: CB Richard Ellis

DEFINITIONS

STOCK – warehousing space in modern, Class-A, developer-led schemes
VACANCY RATE – a ratio of vacant warehouse space to total stock
TAKE UP – net warehouse space that has been leased in a given period
UNDER CONSTRUCTION – developer-led warehouse space currently being developed.

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